

STATEMENT OF PURPOSE

RS22151

This act amends IC 63-602W, BUSINESS INVENTORY EXEMPT FROM TAXATION. The State Tax Commissioners voted in November 2012 to allow the Site Improvement temporary administrative rule 620T to expire. They did not approve a permanent administrative rule with the recommendation that new legislation this session would provide the needed clarification.

Idaho doesn't tax business inventory. In 2012, H 519, Site Improvements, was passed. H 519 provides that the portion of additional value created by the site improvements on real property in the course of a land developer's business, investing their capital into raw land, is exempt from property taxation until a building begins or the property is conveyed from the land developer. Before this law, each county assessed the land developer's lot differently. Some counties made no adjustment the site improvements and kept the market value close to the raw land value until sold, while other counties assessed them at full retail value, before they were sold and required public services.

In 2012, many of the developers who were granted this exemption received only a partial decrease, while some eligible land developers were denied the exemption completely. Section 63-602W(4) is being amended to provide clarification in determining eligibility for this exemption by defining land developer, when the real property is no longer eligible for the exemption and provides clarification in determining the value of the exemption. Some were denied an opportunity to appeal the exemption, so clarification is provided for the appeal process. This will provide for more uniform treatment across the state.

Unlike most exemptions, these properties will eventually be taxed at full value as the market improves. Land developers invest millions of dollars each year in new projects creating a greater tax base for all counties and Idaho needs shovel ready projects to provide for new growth.

FISCAL NOTE

There is no impact on the General Fund.

Local Level

The fiscal impact on local government will vary per county and per taxing district. Any reduction from this exemption is offset by the New Construction Rolls, therefore it would be difficult to estimate the fiscal impact.

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